



WISCONSIN LEGISLATIVE COUNCIL

AMENDMENT MEMO

2001 Assembly Bill 453	Assembly Amendments 1 and 2
Memo published: November 9, 2001 Contact: William Ford, Senior Staff Attorney (266-0680)	

Assembly Bill 453 allows a person who purchases a motor vehicle (the “replacement vehicle”) after having received a refund from a manufacturer for a motor vehicle determined to be a “lemon” under the state lemon law to reduce the amount of sales tax paid on the purchase of the replacement vehicle by the amount of sales tax that was previously saved when he or she traded in a motor vehicle towards the purchase of the motor vehicle determined to be a lemon.

Assembly Amendment 1 clarifies the intent of Assembly Bill 453 and requires that the replacement vehicle be purchased within 60, rather than 180, days after receiving a refund under the lemon law in order to credit the amount of sales tax paid on the trade-in vehicle against the purchase of the replacement vehicle. In addition, Assembly Amendment 1 addresses some technical concerns raised by the Department of Revenue and provides that the sales tax credit for the trade-in vehicle may not exceed the sales tax imposed on the purchase of the replacement vehicle and that the credit can only be used to reduce the gross receipts on a replacement vehicle once.

Assembly Amendment 2 provides that a manufacturer’s rebate that reduces the amount paid to the retailer of that property at the time of sale is not included in gross receipts for purposes of determining the sales tax.

Under current law, the sales tax is imposed on the gross *receipts* from the sale of tangible personal property and certain taxable services. Because of this, it is the amount of money received by the retailer, rather than the amount paid by the buyer, that determines the amount of the sales tax.

Currently, the Department of Revenue treats a manufacturer’s rebate as an amount received by the retailer and imposes the sales tax on that amount, even though the amount is not paid by the buyer. Because the buyer pays the sales tax, he or she has to pay an amount of sales tax based on a sales price that may be higher than what he or she paid for the item.

Assembly Amendment 1 was adopted by the Assembly Committee on Ways and Means by a vote of Ayes, 12, Noes, 0, and Assembly Bill 453 was recommended for passage, as amended, by a vote of Ayes, 11, Noes, 1, on September 17, 2001. Assembly Amendment 2 was adopted by the Assembly on a voice vote on November 8, 2001.

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